

Message Text

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C O N F I D E N T I A L KINGSTON 3569

E.O. 11652: GDS

TAGS: EMIN, JM

SUBJECT: BAUXITE DEVELOPMENTS: KAISER

1. CORNELL MAIER AND JOHN LINDEMUTH (KAISER) BRIEFED AMBASSADOR AUGUST 25 ON CURRENT KAISER/GOJ NEGOTIATIONS. MEETINGS HAVE BEEN HELD THROUGHOUT THIS WEEK WITH MAYER MATALON, PATROUSSEAU AND DOUGLES FLETCHER OF BAUXITE COMMISSION, PLUS TWO MEETINGS AUGUST 24 WITH PM MANLEY. MAIER STATED THAT AGREEMENT VERY CLOSE AND THERE IS POSSIBILITY OF SUCH BEING INITIALED THIS WEEK; FINAL SIGNING MIGHT BE POSTPONED UNTIL EDGAR KAISER ABLE TO COME TO JAMAICA IN 5-6 WEEKS. AGREEMENT IN PRINCIPLE APPARENTLY HAS BEEN REACHED ON REMAINING FEW ISSUES AND DETAILS HOPEFULLY WILL BE WORKED OUT SOON.

2. ACCORDING MAIER, THE ONLY IMPORTANT ISSUES LEFT ARE AS FOLLOWS: (A) KAISER REQUIREMENT FOR SOME RELIEF ON JAMAICAN MINIMUM PRODUCTION AND LEVY TO PERMIT KAISER TO IMPORT BAUXITE EACH YEAR FROM NON-JAMAICAN SOURCES -- HE HOPES ABOUT ONE MILLION TONS. MAIER ARGUED WITH MANLEY AND OTHERS THAT, GIVEN POTENTIAL HERE FOR NATURAL DISASTER, STRIKES, ETC., KAISER MUST HAVE SOME ACCESS TO AN OTHER SOURCE AS PRECAUTIONARY MEASURE.

B. DETAILS OF INDEPENDENT ARBITRATION PROCEDURES.

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(C) LESSER ISSUES CONCERN DEPRECIATION LEVELS FOR EXISTING PLANT, AND MEANS FOR DETERMINING RESETTLEMENT COSTS FOR JAMAICANS DISPLACED BY MINING OPERATIONS. FINAL AGREEMENT, AS DEPARTMENT AWARE, WILL PROVIDE FOR GOJ ACQUISITION 51 PERCENT EQUITY KAISER'S JAMAICAN OPERATION.

3. MAIER MADE CLEAR THERE HAD BEEN SOME CONCERN WITHIN KAISER ABOUT FINALIZING AGREEMENT BEFORE FULL DETAILS OF ALCOA AND OTHER SETTLEMENTS AVAILABLE; I.E., THEY WANT ALL ADVANTAGES THAT MIGHT BE GRANTED TO OTHERS. KAISER PLANS TO HANDLE THIS PROBLEM THROUGH A SEPARATE EXCHANGE OF LETTERS SIMULTANEOUS WITH AGREEMENT. LETTERS WOULD PROVIDE FOR JAMAICAN ASSURANCES THAT ANY SIGNIFICANT ADVANTAGES GRANTED TO OTHERS BUT NOT IN KAISER AGREEMENT WOULD, ON REQUEST, BE GRANTED TO KAISER. HE CONFIRMED THAT ALL COMPANIES HAVE TO SOME EXTENT BEEN RELUCTANT TO FINALIZE AGREEMENTS FOR SAME REASON WITH RESULTANT "ALPHONSE AND GASTON" PROBLEMS. REYNOLDS IN PARTICULAR IS PLAYING A WAITING GAME (IN KAISER'S VIEW), BUT IN FINAL ANALYSIS PROBABLY WILL BE FORCED TO ACCEPT KAISER-TYPE AGREEMENT.

4. MAIER ALSO SAID THAT POLITICAL CONSIDERATIONS HERE HAD BEEN AN IMPORTANT FACTOR IN KAISER'S THINKING ABOUT TIMING OF AGREEMENT. KAISER HAD CONCLUDED THAT IT BEST TO REACH FIRM AGREEMENT BEFORE THE NEXT ELECTION. RATIONALE IS THAT A RE-ELECTED MANLEY GOVERNMENT WITH A NEW MANDATE PROBABLY WOULD TAKE A TOUGHER LINE THAN AT PRESENT, WHILE A SEAGA GOVERNMENT WOULD FEEL COMPELLED TO START ALL OVER AGAIN.

5. MAIER ALSO INDICATED MANLEY, MATALON AND OTHER JAMAICAN CONTACTS HAD EXPRESSED SOME UNHAPPINESS ABOUT THE MANNER IN WHICH GUYANA IS UNDER-CUTTING JAMAICA, PRICEWISE, ON BAUXITE. MANLEY COMMENTED, "FORBES BURNHAM IS MISBEHAVING."

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6. FINALLY, ALTHOUGH THERE HAVE BEEN DELAYS AND FALSE STARTS ON AGREEMENT IN THE PAST, MAIER FEELS THAT THIS TIME MANLEY SINCERELY WANTS AN EARLY AGREEMENT.

7. COMMENT: OUTSTANDING POINTS EMERGING FROM FOREGOING ARE A) CONFIRMATION THAT MOST OF THE ALUMINUM COMPANIES ARE RELUCTANT TO MOVE TOO FAR OR TOO FAST AHEAD OF OTHERS ON AGREEMENT, AND B)

CONFIRMATION THAT KAISER IS NOW SEEKING DIVERSIFICATION OF ITS BAUXITE SOURCES. IN LATTER CONNECTION, MAIER WAS QUICK TO POINT OUT THAT A TON OF AUSTRALIAN BAUXITE CAN BE LANDED IN LOUISIANA AT ONE OR TWO DOLARS LESS THAN JAMAICAN BAUXITE. HE INDICATED BRAZIL COULD ALSO BE AN ALTERNATE SOURCE, BUT ADMITTED THAT SUBSTANTIAL ADDITIONAL CAPITAL INVESTMENT WOULD BE REQUIRED TO HANDLE SIGNIFICANT QUANTITIES FROM THESE SOURCES.
DORRANCE

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